

HEALTHCARE ROUNDTABLE REPORT

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Moderator/Rapporteur: **Ann Reed, US Department of Commerce**

Panelists: **Leonard Karp**, Philadelphia International Medicine
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 Hospital of Columbia and Cornell

Leonard Karp

Mr. Karp briefly spoke about the services industry and how important services are to the U.S. economy. Services account for 86 million jobs in the United States (U.S.) and roughly 75 percent of private sector Gross Domestic Product (GDP). It is one of the largest components of the U.S. economy.

Of that, healthcare services accounts for 11 million jobs and is of critical importance to the U.S. economy. What do healthcare services have to do with international trade? The delivery of healthcare services has undergone significant changes over the last two decades. International healthcare services can mean foreign patients coming to the U.S. for treatment. It can include tele-radiology, the reading of x-rays and radiological reports on the other side of the world which are sent back within a 24 hour period. Tele-medicine allows doctors to examine and diagnose patients miles away from the doctor. It can include training of foreign doctors either in the U.S. or in a foreign country and setting up medical facilities in foreign countries.

After negotiations in the Uruguay Round on rules of international trade ended in 1994, the U.S. became a signatory to the General Agreement on Trade in Services (GATS) in 1995. The agreement established a multilateral framework of principles and rules for global trade in services. The goal was to expand trade under conditions of “transparency and progressive liberalization” to promote the economic growth of all trading partners and the development of developing countries.

Countries agreed to provide signatories with Most Favored Nation (MFN) status (often called national treatment) and to work toward making a country’s relevant measures of international trade regulations and legislation more transparent and easily understood. MFN requires that each member shall accord immediately and unconditionally to services and service suppliers of any other member, treatment no less favorable than it accords to like services and service suppliers of any other country. Transparency requires that all relevant laws and regulations must be published, available to foreign companies and governments, except in the case of emergency.

Transparency in laws and regulations is one of the biggest obstacles a healthcare provider will face when going international. Healthcare companies usually do not know what sort of foreign requirements they must meet. To make an informed decision often requires a major investment of time and money to understand the laws and regulations (usually not published in English) before it can make an informed decision. The requirements, depending on the country, can often

be confusing, expensive and onerous.

Philadelphia International Medicine was founded in 1999 as a joint venture by nine hospitals. They offer services such as medical care for international patients, training and education of foreign medical staff, hospital development, and consulting and management services (the two newest sectors).

In order for there to be international trade, a company can deliver services one of four ways:

- \$ Cross border
- \$ Consumption abroad
- \$ Commercial presence and
- \$ Presence of natural persons (movement of temporary key personnel).

When a service provider considers entry into a foreign market there are many issues that influence a decision, two major issues are market access and national treatment. Often a foreign country applies restrictions such as regulating the number of suppliers, employees, operation, value of transactions or assets, ownership, participation of foreign capital etc. For example, China limits the amount of capital a person can move out of the country to a foreign healthcare facility. In some countries a U.S. healthcare provider can not start a hospital because foreign doctors are not allowed to practice.

Cross border pertains to services supplied from one country to another. Healthcare services such as telemedicine, second opinions and video conferences can be offered. Potential barriers to such services may be the country's technical standards, licensing requirements of key personnel, professional liability requirements or practices, and loss of intellectual property rights.

Consumption abroad pertains to individuals traveling to another country to use a service there. For example, international patients who travel to U.S. hospitals for treatment, foreign physicians attending conferences in the U.S., education of foreign medical students and training programs. Potential barriers include visa issues, payment obstacles and licensing.

Commercial presence pertains to the set up and operation in a country of branch offices, subsidiaries, and joint ventures. Services can include management services, purchasing of health care facilities and establishment of medical schools. Potential barriers are local employee regulations, local ownership, local agent requirements, licensing and standards.

Temporary entry pertains to entry of temporary service providers or skilled personnel. This includes entry of persons such as key hospital managers or clinicians, trainers and educators, nurses and other personnel. Barriers to entry are restrictive visa requirements, licensing, and standards and domestic workforce rules.

Seen through these modes of delivery, international health care service lines are patient care,

which as mentioned earlier are second opinions, telemedicine and direct patient care. Companies may also provide education, training, management and consulting services. The marketing approaches to international healthcare are: advertising; word of mouth; physician relationships; direct contacts; hospital affiliations and public relations.

Barriers to market access in patient care, for example, are prohibitions on advertising, limits on transfer of funds, MFN status and EU's national healthcare systems. Other barriers are also education requirements; training; licensing restrictions on physician involvement in direct care; requirements to attend one of their medical schools; taking a local history exam and sponsorship requirements. In some countries there are no temporary licensing provisions set up for physicians. Another country requires the physician to pay a tax before they leave the airport based on the revenue of patient care provided.

Investment, management and consulting. There may be limits on foreign employees and rules such as the hospital CEO must be a doctor, a local partner may be required, there may be limits on land ownership, and limits on patient reimbursement.

Recommendations:

- \$ improve transparency not just of legislative agencies, but also licensing agencies,
- \$ remove barriers on foreign investment opportunities,
- \$ negotiate temporary licensing requirements into Free Trade Agreements and
- \$ work towards mutual recognition of professional licensing - standards

Conclusions

International healthcare is an emerging industry with high growth ceiling. It needs time to mature. There are many barriers that are not recognized because it is a new industry. The U.S. healthcare industry must work together to better explain barriers as they are identified.

Shannon O' Kelly

Leonard provided you with good examples of what international healthcare services mean under the GATS.

There are many different types of healthcare organizations in the U.S. For example, New York Presbyterian (NYP) also has a public health school. Healthcare services also includes non-government organizations (NGOs), insurance companies, medical facilities, etc. All of us here at this table, representing different segments of the healthcare industry, want to be represented at international negotiations on healthcare.

International healthcare programs in U.S. hospitals started with the Mayo Clinic and the Cleveland Clinic. Now, there are international programs at hospitals all over the U.S. NYP

itself has affiliations all over the world which fund the development of clinical protocols and best practices.

Healthcare services can be rendered without the establishment of medical facilities. For example, if NYP decides not establish a medical facility in a particular country, it can still play a part in improving hospitals by providing administrative, management and consulting services to improve a hospital's medical facilities. This is especially important for meeting international accreditation standards.

In the healthcare universe there are both offensive and defensive moves. Is healthcare a universal right or a commercial enterprise? Different countries respond to this question quite differently depending on their culture, healthcare system and other factors.

Mr. O'Kelley noted that there is a general belief that there is a nursing shortage in the U.S. When looked at more closely however, he noted that his organization has no trouble finding nurses, especially since nurses from other countries are coming to the U.S. to work. There is however, a shortage of nurses trained for critical care and the ICU.

Companies offering international healthcare services discover they all face similar problems no matter what country they consider entering. For example, the loss of Intellectual Property Rights (IPR) is especially critical. Another problem hospitals face is that since September 11, 2001 it has become increasingly difficult to bring foreign physicians from other countries to do high-tech research here in the U.S. These physicians have historically made important contributions to medical literature. Consumption abroad is becoming increasingly competitive. For example, foreign patients are now able to fly to South Africa, undergo plastic surgery, and return to the U.S. for less than the cost of such surgery here.

Under GATS mode three, i.e. commercial presence, NYP has foreign buildings with their name on it. It often chooses to invest its intellectual capital instead. For right now, the hospital has chosen to limit their plans for expansion in other countries because they are refurbishing their medical facilities in the U.S.

In mode four of the GATS, i.e. presence of natural persons, NYP does not want to treat only higher income medical patients in a foreign country. They also need better access to less fortunate patients who cannot afford to go to these hospitals. NYP considers helping those less fortunate as a social responsibility.